GOVERNMENT OF THE NORTHWEST TERRITORIES

Economy in Transition: An Agenda for Action

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Economy in Transition: An Agenda for Action

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ECONOMY IN TRANSITION

AN AGENDA FOR ACTION

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Message from the Minister

The Honourable Gordon Wray
Minister Responsible for Economic Development and Tourism

On behalf of my colleagues in Executive Council, I am pleased to present the Government of the Northwest Territories Economic Strategy, Economy in Transition: An Agenda for Action. The strategy provides a government-wide framework for a number of economic initiatives, aimed at dealing with economic problems and opportunities.

The Northwest Territories' economy is in transition. This transition has been from a land based economy to a wage based, market economy. Although the market economy has been growing faster than that of the provinces, there are marked disparities between and within communities. Jobs and high incomes have generally been available for those individuals with marketable skills and high education levels. Development opportunities have abounded for those communities with active markets, developed infrastructure and transportation linkages. The same has not been the case for individuals or communities without these assets. The strategy is aimed at creating a more balanced economy.

In the past, economic policy tended to focus on the separate needs of the traditional and wage-based economies. This Strategy will improve integration between these two economies, so people can choose between them or participate in both.

To improve linkages between the two economies, the strategy emphasizes the commercial development of Renewable Resources in order to maximize use of existing skills and resources. At the same time, we will be increasing training opportunities to enable NWT residents to take existing or new jobs.

The Strategy provides a framework to coordinate the activities of a number of Departments since the problems go far beyond the scope of any one department.

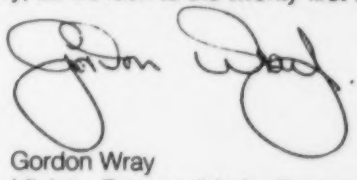
Education is key to developing our labour force. The manner in which social services are delivered plays an important role in supporting those who wish to return to work. The Departments of Public Works and Government Services contracting promotes Northern business. Energy Mines and Petroleum Resources are negotiating a Northern Accord so that Northerners may share in the benefits of resource development. The Department of Economic Development and Tourism will target its programs and actively promote development in smaller communities while maintaining existing programs to businesses.

The Northwest Territories' economy is in transition.

It is, however, important to recognize that our ability to introduce major economic reforms in the short term must fall within the tight fiscal environment of the next five years.

Although a multi-departmental effort within government is required to succeed, more importantly, economic development requires the participation of all of us; individuals, businesses, native organizations, and government. Individuals must take advantage of education, training and job opportunities. Businesses must continue to develop the market economy and provide necessary employment. Native organizations have reached agreements which could inject millions of dollars into the economy and have direct influence on resource management.

Government must provide the climate to stimulate growth in both large and small communities. I am confident that this Strategy provides the necessary direction to see that this happens. I am also confident that it will improve our ability to become more self-sufficient and independent while addressing the serious imbalances that exist in our economy, as we look to the twenty-first century.



Gordon Wray
Minister Responsible for Economic
Development and Tourism

Introduction

During the decade of the eighties the NWT had one of the leading economies in Canada. Is everyone benefitting?

The Need to Take Stock

The Nineties are here. Following two decades of unprecedented change in the development of our people, our governing institutions, public infrastructure and economic development priorities, it is time to take stock. What are the challenges ahead? Now is the time to carefully examine our successes and our mistakes, to build on our strengths and overcome our weaknesses. All of us must work together to create a vision that will take us into the twenty first century.

During the decade of the eighties the NWT had one of the leading economies in Canada. Is everyone benefitting? Is the economy strong enough and sufficiently diversified to withstand future shocks in the world economy?

The foundation upon which we must build is the people of the NWT and our natural resources. We must be ready for change if we are to manage it. Our people must be ready, properly educated and trained, and our infrastructure must be in place.

A Growing Concern About Our Economy

Over the past several years our government has become increasingly aware of the need to develop a new economic development strategy - one that can help us to adapt to the changing world situation and guide us through the next decade.

In December, 1987, the then new Cabinet met at Snare Lakes to discuss these and other questions raised during the election. The "Directions for the 1990's" was the result of these discussions. The Directions document provided a framework for public discussions and decisions which have led to the development of the Economic Strategy.

Further public debate was provided through the Special Committee on the Northern Economy which was established by the Legislative Assembly. This committee undertook to "...inquire into current problems and public concerns related to a viable Northern economy and the development of an Economic Strategy and plan".

The Committee's conclusions, brought into focus by the public debate, confirmed significant differences in income and employment

We must be ready for change if we are to manage it.

The focus of the economic strategy is on jobs, income opportunities, and training people for the labour force, particularly in the smaller communities.

opportunities throughout the NWT. It was clear that people living in communities which had developed, market-driven economies had much higher incomes than those reliant on traditional, land-based activities.

In recent years debate over economic policy has centered on the need for two economic policies: one for the traditional economy, and one for the wage-base economy. Unfortunately debate has often focused on differences between the two economies, often ignoring their interdependencies.

Evidence of changing trends are clearly demonstrated by the growing interest in wage employment and demands for skill training. A new economic policy must address these trends by including transitional measures to bridge these two important parts of our economy.

The focus of the economic strategy is on jobs, income opportunities, and training people for the labour force, particularly in the smaller communities. In the short term it will be necessary to create jobs that use locally available skills.

People must gain in skills and work experience now, so that in the future, the NWT is less reliant on skilled labour from the South. In this way, NWT residents will receive the major benefits from the development of our resources.

We must be mindful, however, that our ability to maintain economies in the smaller communities is directly related to the further growth of the industrial base of our economy. We must be ready to reap the benefits from the resulting growth in opportunities.

The challenge is daunting. We must direct our energies towards creating a fairer and more balanced economy - one which benefits all residents regardless of where they live in the Northwest Territories.

The Components of the Economic Strategy

The economic strategy we need to achieve a more balanced economy will depend upon eight basic components.

1. Preparing Our People for the Challenges of the Future
2. Employment and Income Opportunities through Business Development
3. Maximizing Impact of Public Expenditures
4. Improved Participation of NWT Residents in the Economy
5. Improvements in Public and Industry Infrastructure
6. Income Security Reform
7. Sound Fiscal Management
8. Control Over Resources

These components will be developed and undertaken simultaneously and co-operatively by the departments and agencies involved within the framework described in this document.

The Criteria for Our Economic Development Strategy

With all the discussion about an economic strategy over the past several years, we can now spell out the criteria that our strategy must meet.

It must be a unified, flexible strategy. Though there are two distinct economies in the NWT, we should not develop two separate strategies. We need a single strategy - but one that is flexible.

Our people want choices. Many of them are moving from a traditional lifestyle on the land to lifestyles based upon a wage economy. Many young people lack the education and skills necessary to participate in either economy. In terms of an economic strategy, we need a unified strategy, that will provide choices - one that can adapt to the needs of different kinds of economic activity, and provide linkages between these two lifestyles.

It must be based upon jobs, income opportunities, and training for the labour market. In the smaller communities we must be able to create jobs that use available skills. In the urban-type communities we must prepare people for the jobs that are already available.

The strategy must be comprehensive. There is no single approach to improving our economy. To be effective an economic strategy must be able to move ahead on a number

of fronts at the same time. The strategy must be coordinated, and, in terms of government, it will involve all the key departments and agencies in a multi-faceted approach.

Finally, it must be strategic. It must focus on the major weakness of our economy, build upon its major strengths, provide a sense of direction and deal with the longer term.

The Contents of this Document

We must be sure that the economic strategy we develop deals with the real strengths and weaknesses of our present economy. In Chapter One, *A Profile of the NWT Economy*, we will describe our economy and outline the major economic issues.

Next, because there is more than one way to develop an economic strategy, we will look at some of the options. This is the thrust of Chapter Two, *Public Policy Options*.

Chapter Three, *The Framework*, provides the context within which the strategy must be developed. It contains the goals of the strategy, the basic principles which must guide its development and the main elements of the strategy.

Chapter Four, *The Strategy*, is the heart of the document. In this chapter we present the basic elements of the strategy itself.

The document ends with an appendix: *Implementation*. This chapter outlines the responsibilities and timetable for effecting the strategy.

To be effective an economic strategy must be able to move ahead on a number of fronts at the same time.

CHAPTER ONE: PROFILE OF OUR ECONOMY

Before we can design a viable economic strategy, we must have a realistic picture of our economy and understand the major issues influencing it. In the first part of this chapter we will provide a brief profile of the economy; then we will discuss the major economic issues.

Economic Profile

The Two Economies

As we noted in our Introduction, the most striking characteristic of the economy of the NWT is the economic disparity between those who live in the larger market-type communities and those who live in the more remote, traditional communities.

In the next few pages we provide a number of charts and diagrams that illustrate this discrepancy. But the facts are simple and straight forward.

The urban-type or resource communities (Yellowknife, Fort Smith, Hay River, Inuvik, Resolute, Nanisivik, and Norman Wells) are prospering. They run on a wage economy, most people have jobs and salary levels are high. The major problem these communities face is the lack of local people with the required skills to take the jobs that are available.

It is just the opposite in the smaller communities. Most of these traditional communities still depend upon hunting and trapping, there are relatively few jobs and those jobs that do exist tend to be low paying or require skills that are not available locally.

The Labour Force

According to the 1989 Labour Force Survey, there were 24,250 people in the labour force. About 3,992 people were unemployed. Almost all of those who were unemployed lived in the smaller communities. There was practically no unemployment in the larger communities.

As you might expect, we have a similar discrepancy in individual incomes. Per capita incomes in the most affluent communities are almost ten times greater than those in the communities with the lowest incomes ($18,236 to $1,937).

The most striking characteristic of the economy of the NWT is the economic disparity between those who live in the larger market-type communities and those who live in the more remote, traditional communities.

We are going to have to do a much better job training our own residents to take the jobs that are available.

When we compare the employment figures with the population figures we come to an even more alarming conclusion. We are going to have to generate a significant number of jobs if we are to keep pace with the number of young people entering the workforce.

At present the NWT has the highest birth rate in Canada - three times the national average with the highest rate among aboriginal peoples. Over 42% of the population is under 20 years of age. If our economy is to absorb these young people coming into the job market, we are going to have to create some 6,000 new jobs between now and the year 2001.

For people living in the smaller communities, the prospects are not encouraging. The persistence of the anti-fur lobby is gradually reducing income from the sale of furs. Wage employment is becoming more important in supplementing income from hunting and trapping. According to the Labour Force Survey, 67% of people in the smaller communities who are not working want to work (and 54% are willing to move to work). But the jobs just aren't there.

Major Economic Issues

Why is there such a difference between the economies of communities?

We can point to a number of historical, economic, and social issues that are the cause of our present problem. Turning things around will mean dealing with these issues.

Here are the major ones.

A Lack of Trained Workers

We don't have enough people with the right skills to take jobs that are available.

An example: Since 1985 the number of people employed has grown by almost 3,000 people. But our unemployment rate has gone up by 11%. What happened?

When we look at people who are in the jobs, we see that about 64% of them were born outside of the NWT.

We are going to have to do a much better job training our own residents to take the jobs that are available.

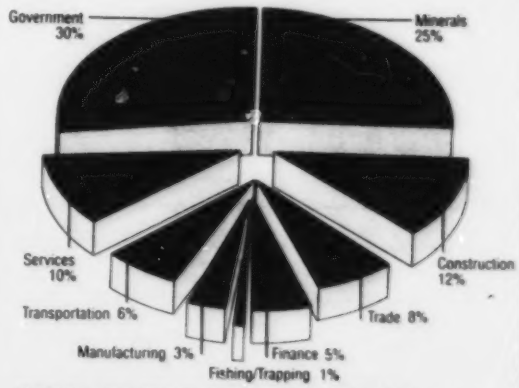
Not Enough Housing and Business-Related Infrastructure

Over the past decade we have made great strides in improving the quality of housing. But we are still not able to provide enough housing.

GDP Contribution

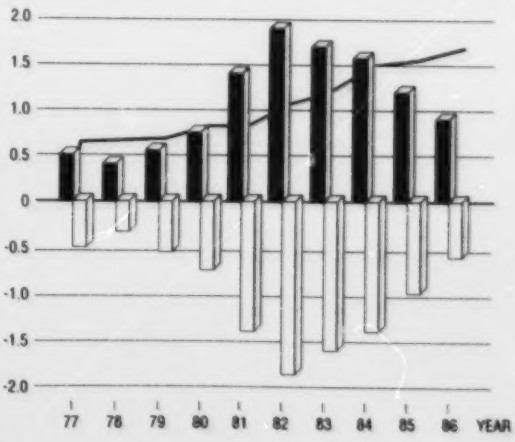
Business and consumer services represent the largest share of the GDP. These sectors are listed as Construction, Transportation, Trade, Finance, and other Services.

The graph also shows the relative importance of Government and the non-renewable resource sectors.



Distribution of the GDP (By Sector - Percent of GDP, 1989)

Investment, Imports and GDP



The NWT's Gross Domestic Product, or GDP, measures the net value of all production within the NWT. Imports are deducted to arrive at the net contribution of each sector.

The GDP is shown as a line in the graph at left. The two sets of bars within the graph represent net imports and investment. The graph shows the relationship between investment and imports, and their relatively minimal impact upon the GDP trend; as investments increase, so do imports, cancelling out any significant impact on the economy.

Investment Imports GDP

The housing shortage is critical in the NWT. The need and demand for public housing and subsidized home ownership are growing, far exceeding the supply available. The lack of access to capital, low incomes, and high cost of construction make it virtually impossible for many NWT residents living in the small communities to acquire private housing. In fact, in most of the communities, no private market exists for housing. Employers willing to invest in businesses often face the added cost of providing housing for employees, further reducing competitiveness. For many of the major employers the alternative is to fly employees in to a work site.

Physical and systemic barriers to employment also exist. The lack of readily available day care facilities, adult training centres and public housing rental rate structures create disincentives to those on welfare and must be overcome.

Inadequate Transportation and Communications Network

The fifty nine communities scattered across the NWT are located in an area comprising roughly one third of Canada's land mass. Only six of them are accessible on a year-round basis by the national road network. Forty per cent of the population must rely entirely on air and marine transportation services for the movement of people and goods.

The distances between these communities are great. Combined with the small population in most of them, the result is that the costs of getting into and out of them are high compared to Southern Canada. Employers are forced to maintain expensive stockpiles of materials and equipment to ensure continued operations.

These conditions, coupled with the possibility of delayed access due to extreme weather, restrict the mobility of a large number of NWT residents limiting not only access to goods and services but also access to training and job opportunities.

Significant improvements in communication and transportation facilities have been made in recent years to reduce these constraints to economic development, but more is yet to be done. Through the "Transportation Strategy", the GNWT is taking a major step towards creating a long term development plan.

Aboriginal Land Claims

Aboriginal claims to land and resources in the NWT have been under negotiations since the mid seventies. The Inuvialuit signed a final agreement in 1984, resulting in the NWT's first claim agreement in the modern era. The Dene-Metis expect to have a final agreement in 1990, and the Tungavik Federation of Nunavut have recently reached an agreement-in-principle.

If claims are resolved as expected a new wave of economic growth may occur as the result of new capital being injected into the economy. (The cash settlements negotiated in the Dene-Metis and Inuit Agreements-in-Principle exceed $1 billion.)

Settled land claims will mean an end to the uncertainty over the ownership and control of resources.

Furthermore, the resolution of claims will also provide Native organizations with input and control over resource management regimes, allowing them to participate in decisions over the use of resources.

Resource development in the frontier regions is a risky business, even at the best of times. Settlement of the ownership issue and new partnership arrangements with aboriginal corporations could inject needed capital into the NWT economy.

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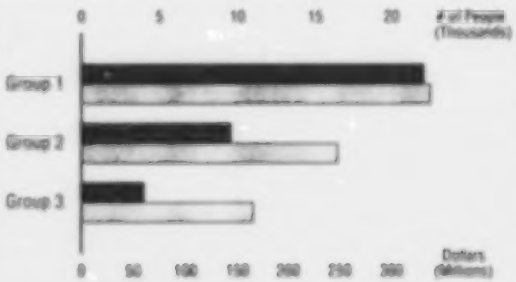
Community Income and Population



The four Group 1 communities have a disproportionate share of territorial income. The community's total income is shown as the bar with the "$" sign, while the lower bar within each series represents the total population of each group.

Approximately 25% of the NWT population live in forty one communities with populations of less than 600.

Community Employment and Migration

Community Development and Ethnicity

Federal-Territorial Relations

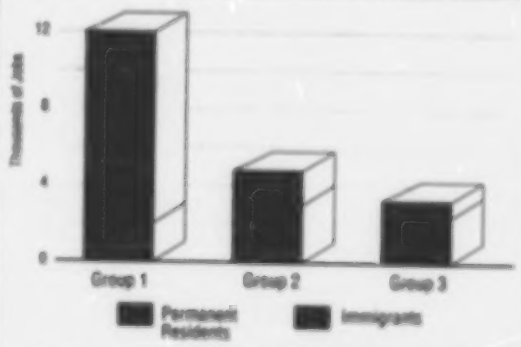
The settlement of land claims and the devolution of provincial-type powers mark the beginning of a new era of Federal-Territorial relations. We are at least on the path to having the ability to manage our economy.

The Federal Government, however, must continue to play a major role in developing this important region of Canada, particularly in developing public infrastructure to stimulate and sustain economic growth. A new Federal-Territorial Economic Development Agreement will provide support to sectoral and local economic development projects to help accomplish this.

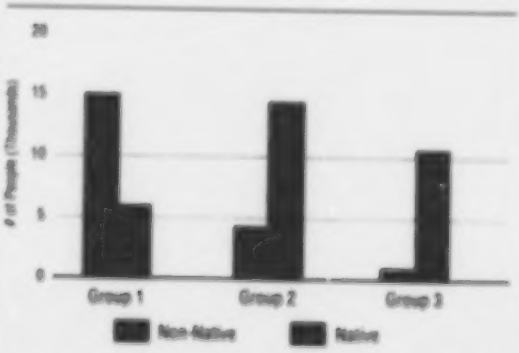
Fiscal Capacity

The Government of the NWT now receives approximately 85% of its revenues through direct transfer payments from the federal government. The formula under which the GNWT receives its funding is now under review.

The effect of any reduction in the current funding level will require a major review of our longer term fiscal policies. Both expenditures and taxes would be included in this review to ensure our fiscal position is consistent with the resources available under the new funding agreement. If funding levels were significantly reduced, the task of maintaining a stable and competitive tax system as well as current levels of services and support for economic development would become very difficult.



In-Migration and Jobs: In the above graph, the size of each bar represents the total employment within each community group. The darker shade within each group indicates the degree to which jobs are filled by in-migrants. As can be seen from the chart, the vast majority of jobs in Group 1 communities, and significant portions in Group 2, are filled from outside the NWT.



In the above graph, the NWT's native population is shown as the right hand bar within each group. As indicated in the graph, most native residents live in group 2 and 3 communities.

Small Markets

Approximately 25% of the NWT population live in forty one communities with populations of less than 600. The problems of developing economic opportunities in these communities are two-fold. First, it is difficult to find within the community the range of skills needed to operate businesses. Secondly, there is a lack of income to sustain local markets unless money is brought in from outside the community.

Vulnerable to Fluctuations in International Markets

The NWT's heavy reliance on exports of relatively unrefined raw materials makes our economy vulnerable to fluctuations in world markets. In the early 80s the anti-seal harvest lobby succeeded in wiping out the Eastern Arctic seal skin market. In the West, changing market conditions led to the closing of the Pine Point and Tungsten mines. Economic diversification is necessary to ease the heavy dependence on these exports.

To summarize, ours is an economy that lacks balance. The larger communities are prospering. The smaller communities are experiencing extreme economic difficulties. To turn things around, to ensure that we achieve a balance in our economy, we must overcome a number of deep-rooted financial, economic and social challenges that have emerged over the years.

CHAPTER TWO: PUBLIC POLICY OPTIONS

Here in the NWT, some past policy approaches have met with varying degrees of success; others have been outright failures.
To avoid repeating the mistakes of the past, and to take advantage of some of the lessons we have learned, we pause for a moment to take a look at the past.

Two Different Approaches to Economic Development

Over the past thirty years there have been two distinct approaches to economic development - the federal government's approach, and the territorial government's approach.

The federal government concentrated upon developing the North's non-renewable resources. Incentives were provided for opening new mines. Another example of this policy was the National Energy Program. It had a significant effect on the exploration for petroleum resources.

The Territorial Government pursued a different approach. Lacking the mandate and resources of the federal government, its resources were directed toward providing employment through small business development and, to a limited extent, developing infrastructure for industry and business.

The 1960s saw the development of many small businesses throughout the Territories. In addition to the development of cooperatives, an important element in small business development, the Territorial Government developed and ran a number of business enterprises, most of them selling native arts and crafts. These enterprises were especially important in providing jobs.

Domestic policy shifts in the late seventies and early eighties resulted in the closing of many of these government-run commercial enterprises. The emphasis shifted to assisting private businesses to establish or expand, and to maximizing the economic benefits from major industrial projects for NWT residents.

This new policy worked well in the larger market driven communities where there were entrepreneurs with access to capital. It did not work in the smaller communities.

Over the past thirty years NWT Economic Policy resulted from the blending of both domestic policy and national policy. Often however these initiatives were not coordinated.

With the beginning of a new decade, it is time for the government and the private sector to forge a consensus on the future direction of the economy. Among other options, they must consider the three traditional options that have been used to stimulate regional econo-.

It is time for the government and the private sector to forge a consensus on the future direction of the economy.

mies and reduce regional disparities:

- Urban Development
- Encouraging Outside Investment
- Economic Diversification

Option #1: Urban Development

This has meant moving people from economically depressed regions to more economically advantaged areas, while at the same time strengthening industrial capacity in these areas.

This approach has been used in many regions of Southern Canada. The most prominent example is Newfoundland where people were moved from "outports" to larger urban centres.

This strategy works where people have similar skills and knowledge and are able to adjust to urban life-styles. It also requires that urban centres be capable of accommodating an influx of people.

In the NWT, people have not moved to the larger centres. Isolation from family and cultural group, lack of academic and/or job qualifications, and the high cost of relocating are some of the reasons. Statistics are also very clear showing that proximity to high paying jobs does not solve the unemployment problem where education and job skills are lacking. Communities such as Rainbow Valley and Detah are examples.

Education and training of all residents will result in a gradual movement of people to jobs.

Although wholesale movements of people out of smaller communities is not a realistic option, education and training of all residents will result in a gradual movement of people to jobs. The largest proportion of these jobs will continue to be in urban centres. However, migration will only be an option if people have the skills required in the job market into which they are moving.

Option #2: Encouraging Outside Investment

This is a strategy of encouraging industries to relocate and expand in economically depressed areas, creating new jobs.

This strategy has been tried with limited success in Atlantic Canada. Substantial government investment is required to lure industry to new locations. It is expensive to provide new public infrastructure or to provide tax incentives. The work force also has to have a surplus of trained people.

At the same time, industry undertakes the risk of establishing in an area where facilities and distribution networks may not be as well developed as elsewhere. Both government and industry risk that they might be creating high expectations within the local economy that are often difficult to meet.

In the NWT, such a strategy faces several obstacles. We have a small, untrained labour

force spread over more than 40 small communities and 16 "medium-sized" communities. Most people in these communities have had little exposure to modern technology and production demands. Limited public infrastructure or transportation facilities and higher operating costs than most locations in southern Canada, make relocation to isolated NWT areas an unattractive proposition for many private industries.

The GNWT does, however, provide a stable and competitive tax system which has a positive impact on attracting this type of investment, which in the long term, is desirable and necessary to stable growth of a diversified economy.

A continued emphasis on education and training will also make this option more viable in the future. However, our ability to move forcefully depends upon a favourable economic climate.

Option #3: Economic Diversification

The aim of this policy option is to broaden the economic base, increase participation in the labour force, and improve wealth distribution.

This approach has been implemented in almost all economic regions across Canada. It is usually part of a two-pronged strategy. On the one hand, current industries and growth patterns are maintained. At the same time, assistance is given to geographic areas and specific industries in a downturn or "no growth" situation. This combined approach builds on the natural strengths of regions and communities through both public and private sector investment in existing natural and human resources.

Economic diversification is appropriate to the NWT because our economic problems are not the result of poor growth. They are caused by a poorly integrated and structured economy. Economic diversification broadens economic activities and establishes relationships among the various facets of the economy. This option decreases dependence on certain industries and particular segments of the population.

It seeks a balance throughout the economy. Diversification accommodates a variety of labour skills and a range of social and economic circumstances.

A New Policy for a New Era

No one of the public policy options above can, by itself, respond to our present needs. We need a mix of the best elements each option has to offer, tailored to meet our particular requirements.

Because of their obvious economic advantages, the urban centres will continue to be the most important source of jobs. While we should never try to force people to move to these centres, we should do all in our power to maintain their job potential. We must also provide rural residents with the kind of education and skills they need to take the jobs in the urban centres.

We must continue to encourage outside investment. In addition to providing the traditional incentives, we must maintain a stable business climate - one that welcomes investors and provides them with the support services they need.

Finally, we must stress economic diversification. We cannot continue to depend on our non-renewable resources as the sole source of jobs and wealth. We must seek other alternatives - alternatives which take advantage of the skills and abilities our people have to offer.

In this chapter, and in the preceding chapters, we have laid the groundwork for the design of our economic strategy. Now we turn our attention to the strategy itself.

Diversification accommodates a variety of labour skills and a range of social and economic circumstances.

CHAPTER THREE: THE FRAMEWORK

Over the years we have learned a great deal about how to develop our northern economy. We know about some of the things that will work, and we know about some of the things that won't work.

In this chapter we take some of these lessons from the past and use them to build a framework within which we can develop our economic strategy.

The framework consists of three components: goals, principles, and main elements.

Goals

The goals describe the ultimate purpose towards which our economic strategy is directed. There are three goals.

- Reduce employment and income disparities between and within communities and regions;
- Generate new wealth as a result of economic growth and diversification; and
- Ensure that NWT residents receive a greater share of the benefits of economic development in the NWT.

Principles

Principles are simple statements which, taken together, provide the foundation for our economic strategy. The Government of the Northwest Territories has determined that its economic strategy should be built upon the following principles.

- The private sector is the preferred option for developing the NWT Economy;
- Government support is an acceptable and sometimes necessary means of stimulating the economy;
- Government must play a key role in developing the infrastructure or facilities and services necessary for economic growth;
- Development must be fostered in ways which are acceptable to community values;

Development must be fostered in ways which are acceptable to community values.

Community Grouping

Group 1:
Developed Market Communities

Communities with the greatest potential for displacing major southern supply centres:

- Yellowknife
- Fort Smith
- Hay River
- Inuvik

Group 2:
Emerging Market Communities

Communities with significant potential to expand their role as regional supply centres and to expand their local range of goods and services:

- Coppermine
- Pond Inlet
- Fort McPherson
- Cape Dorset
- Igloolik
- Iqaluit
- Arviat
- Norman Wells
- Aklavik
- Rae-Edzo
- Rankin Inlet
- Cambridge Bay
- Baker Lake
- Tuktoyaktuk
- Pangnirtung
- Fort Simpson

Group 3:
Resource Communities

Communities with potential for tourism, arts and crafts, and other forms of human and natural resource development. This category is a residual and would include all 41 remaining communities.

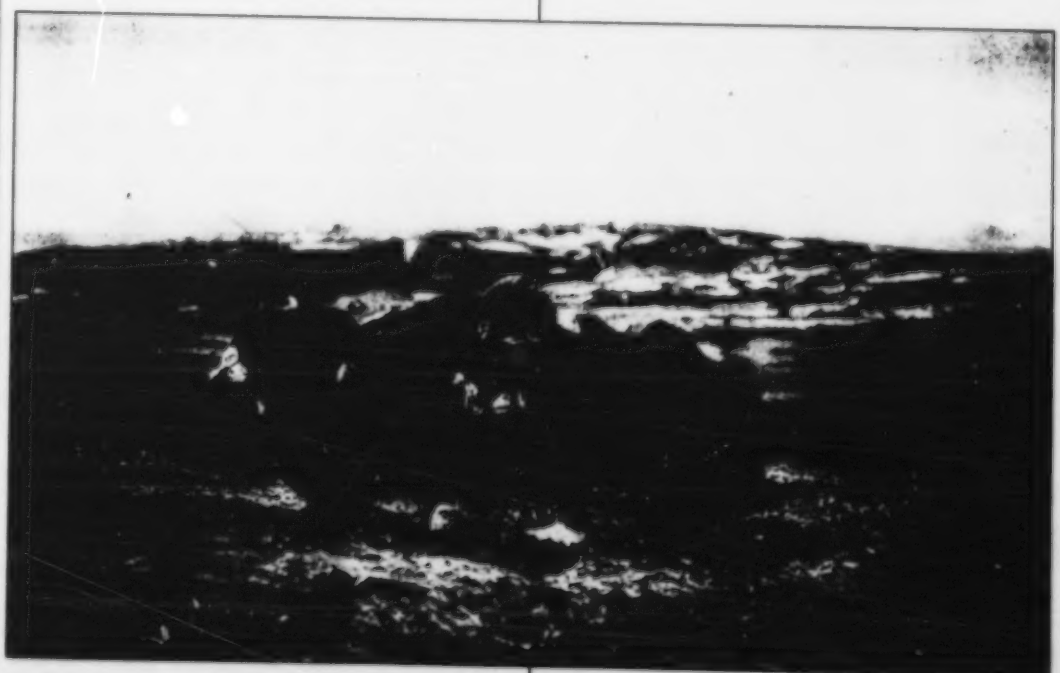
- Public investment must build on the available resources and use technology and scale appropriate to the skills and traditions of NWT residents;
- Government must provide training towards a skilled Northern labour force, able to access current and future employment opportunities; and
- The involvement and commitment of all NWT residents, communities, and groups will be integral to the achievement of the Economic Strategy.

Main Elements

While the principles establish the values which underlie the economic strategy, the main elements provide further guidance by establishing criteria for developing and integrating future government policies and programs.

Targeting Communities

Many current programs were designed to be available to, and meet the needs of, people across the Northwest Territories. It was assumed that the variety of economic, social, and cultural situations of all people, communities, and regions could be addressed by a single program.



The key to developing our economy will be to use and develop the skills of our people and to take advantage of our natural resources.

Main Elements of the Strategy

There are six key elements to the GNWT Economic Strategy:

Targeting Communities

- Concentrating on the needs and potential for development in disadvantaged communities.
- Programs will be adapted to the unique needs and capabilities of individual communities.

Building on Community and Regional Strengths

- Taking advantage of existing human and resource potential.

Increasing Self-sufficiency

- Providing for ourselves more of the goods and services we need in the NWT.

Control Over Land and Resources

- Northerners must have control to use these resources to the greatest benefit.

Sustainable Development

- Ensuring resources for the future.

Living Within Our Means

- The Fiscal Framework

A healthy and vibrant economy depends on an equally healthy and vibrant environment.

This approach leads to larger communities meeting criteria and making use of programs much more easily than people from smaller communities.

The purpose of targeting communities is to recognize the difference among communities in terms of the resources and opportunities available and their level of development.

Building on Community and Regional Strengths

The key to developing our economy will be to use and develop the skills of our people and to take advantage of our natural resources.

The Economic Strategy builds on the natural strengths which already exist. In the larger urban centres, the strategy is to ensure long-term sustainable jobs. In small, traditional communities, the strategy centres on creating job opportunities which can supplement income from traditional pursuits such as hunting and trapping.

Increasing Self-sufficiency

Each year those of us who live in the NWT import more than half a billion dollars worth of goods and services.

Keeping more of these dollars in the NWT represents a major opportunity to increase our self-reliance and improve our economy. More of these dollars can be kept in the NWT through local production of goods and services. This import substitution will decrease our reliance on imports and create jobs and income for NWT residents.

For government, import substitution means government contracts being performed by Northern rather than Southern firms, or Northern firms supplying goods and services to government where they are currently imported.

It also means providing education and training so that Northern employers, rather than continuing to import southern workers, can hire NWT residents instead.

Finally, increased self-sufficiency also means that NWT residents get to control and benefit from our natural resources.

Control Over Land and Resources

In the NWT, like many developing economies, there is a heavy reliance on natural resources. Yet for the most part the scale and pace of development is controlled through the Minister of Indian Affairs and Northern Development with priorities designed to benefit all of Canada. Consequently, NWT residents are often forced to take an adversarial position in response to any developmental project if they are to obtain any lasting benefit. This confrontation has limited the development of our

resources. Northerners are gaining experience as resource managers. They are ready to become partners in the development of the NWT resources but they must see a net benefit.

Sustainable Development

The Government of the Northwest Territories is formulating a Sustainable Development Policy which will recognize the need to use resources and environment in ways that do not limit opportunities for their use by future generations. The policy will be based on the principle that a healthy and vibrant economy depends on an equally healthy and vibrant environment. The interdependence between the development of the economy and careful management of the environment is especially important given the traditional lifestyles and native cultures in the North.

The GNWT's Sustainable Development Policy will routinely combine and equally weigh conservation and development factors in deciding on the best use of NWT resources.

Furthermore, as part of this policy, we will endeavour to balance environmental and development concerns by promoting economic initiatives which maintain essential ecological processes, ecological diversity, and harvestable resources at sustainable levels. This approach will ensure an effective bridging between the traditional and market driven components of our economy.

Living Within Our Means

Fundamental to any economic strategy is the development of a sound fiscal policy which is conducive to sustainable economic development.

The key to a sound fiscal policy is maintaining a balance between fiscal capacity and the demand for public services over the longer term. We do this by maintaining government expenditure and taxation initiatives at levels which create an environment that allows individuals and businesses to be the prime agents and beneficiaries of economic development.

On the expenditure side, public resources should be spent on maintaining and enhancing both public infrastructure and developing our people. In regard to revenues, taxation should minimize the tax burden on individuals and businesses, thereby maintaining the highest possible incentive to work and do business in the Northwest Territories while remaining competitive with tax regimes in other regions of Canada.

Fundamental to any economic strategy is the development of a sound fiscal policy.

CHAPTER FOUR: THE STRATEGY

The Economic Strategy is the blueprint for the future that will direct government's major economic initiatives. It has eight components.

1. **Preparing Our People**
2. **Employment and Income Opportunities through Business Development**
3. **Maximizing Impact of Public Expenditures**
4. **Improved Participation of NWT Residents**
5. **Improvements in Public and Industry Infrastructure**
6. **Income Security Reform**
7. **Sound Fiscal Management**
8. **Control Over Resources**

1. PREPARING OUR PEOPLE FOR THE CHALLENGES OF THE FUTURE

In the short term the Department of Education and Arctic College will continue to combat high illiteracy levels and to prepare NWT residents for the work place. The factors which influence the strategy include:

- Considerable growth in the labour force and increasing expectations for wage employment;
- Significantly lower proportion of native people participating in the labour force;
- The high dependency on imported skills and the need to use the Northern work force to fill more jobs, including specialized and highly skilled occupations;
- The need to recognize and overcome barriers to employment because of a lack of education and training;
- Recognition that increased education levels are essential to the success of the economic strategy, and for people to reduce their dependence on social assistance; and
- The need for labour market planning to match people to available jobs and to plan training opportunities.

In response Arctic College has established three main priorities for 1990-95:

- Adult basic education and academic upgrading;

The Department of Education and Arctic College will continue to combat high illiteracy levels and to prepare NWT residents for the work place.

The Development Corporation will be given a mandate to develop sectors which will optimize the use of local skills.

- Increasing accessibility to career programs by maintaining a flexible admissions policy and increasing part time course offerings; and
- Enhancing capacity to develop and deliver courses and programs that use non-traditional or technologically assisted instructional approaches.

In addition the Department of Education has prepared an Employment Development Strategy which promotes initiatives ranging from keeping children in school and career promotion through to preparing and training adults for jobs. The Strategy has three major thrusts:

- Labour market planning - Using information to better plan job and training programs based on employers', individuals', and economic needs.
- Employment support programs - These initiatives include career promotion and counselling, training assistance to small business and range of supports to assist with post-secondary education.
- Employment preparation programs - Programs to support keeping children in school, adult literacy, upgrading and life skills training targeted to specific trades and professions, within the context of affirmative action.

These initiatives will result in Northerners accessing more of the existing jobs and being prepared for opportunities of the future.

2. EMPLOYMENT AND INCOME OPPORTUNITIES THROUGH BUSINESS DEVELOPMENT

Providing more jobs and income depends on business opportunities. The Department of Economic Development and Tourism has developed a strategy "Building on Strengths: A Community Based Approach to Economic Development". This strategy is designed to improve self sufficiency in economically disadvantaged communities and regions. It will focus on the economic sectors that optimize utilization of community skills. The Strategy has three elements:

Jobs and Income Opportunities in Disadvantaged Areas

The main feature of this strategy is the creation of a Development Corporation. This corporation will take advantage of, and enhance, the natural resources and skills in the smaller communities where the private sector has been unwilling to invest.

The corporation will be given a mandate to develop sectors which will optimize the use of local skills; arts and crafts, renewable resources, small business, and tourism.

Improved Access to Capital

Departmental programs aimed at business development have worked well in areas where there are sufficient markets, access to debt and equity capital, and where there are people with management and entrepreneurial skills who are willing to invest.

The strategy introduces a number of new and revised tools to overcome the limited access to capital in the underdeveloped communities including:

- Access to capital through joint ventures with the Development Corporation or through the Corporation investing directly in communities.
- A revised Business Development Fund to meet the needs of the business community throughout the business cycle without the added risks of investing in small communities.

- A revised Business Loan Fund which will provide flexible repayment terms in recognition of the needs and abilities of businesses operating in underdeveloped areas.
- A new micro business lending program (Self Employment Loan Fund - S.E.L.F.) will be introduced to provide small loans to self employed individuals to undertake full or part time work projects.

Buy North Program

The replacement of imported goods and services represents a major opportunity for future development of NWT businesses . To capture these opportunities the government is introducing a major public awareness program to stress benefits to individuals and businesses in buying north.

3. MAXIMIZING IMPACT OF PUBLIC EXPENDITURES

Increasing the levels of purchasing for goods and services from northern businesses and the continued implementation of the government's thrust to maximize business development and employment opportunities through the construction, maintenance, and leasing of infrastructure have been goals of the Departments of Government Services, Public Works, Transportation and the NWT Housing Corporation for more than five years.

Indicators of the success of this approach are:

- In 1988-89, DPW issued construction, maintenance, and service contracts valued at about $46 million, of which 88% went to Northern Contractors. In addition, 95% of contracts valued at $7 million for architecture and engineering services contracts were awarded to Northern Contractors.
- 50% of goods contracts valued at approximately $26 million were issued by the Department of Government Services to Northern suppliers.
- 90% of the Northwest Territories Housing Corporation's 1988-89 expenditures for supplies and services for all capital totalling $62 million went to Northern Contractors and suppliers.

Government departments and agencies are improving on this impressive performance by implementing a variety of policies and approaches to contracting with community and other Northern businesses.

These and other measures are covered in the Local and Northern Construction, Maintenance and Leasing Strategy. The NWT Housing Corporation will be developing a similar strategy specific to local housing organizations.

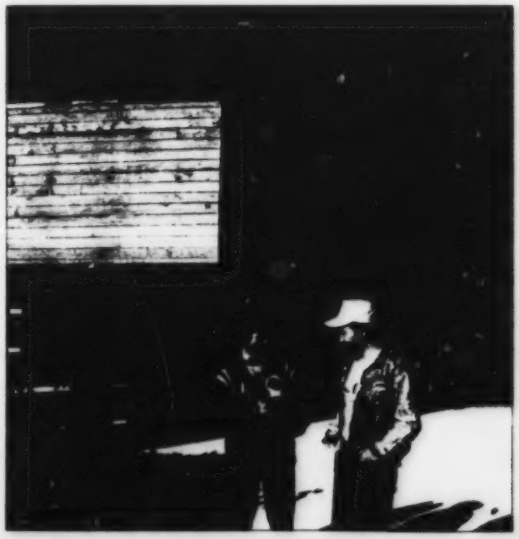
The Department of Economic Development and Tourism will prepare an annual report on Northern expenditures, providing recognition to those industries or businesses who have best exemplified the goals of the Buy North Program.

4. IMPROVED PARTICIPATION OF NWT RESIDENTS IN THE ECONOMY

NWT employers are heavily dependent on imported labour. In 1989, 64% of the people with jobs were not born in the NWT. One of the best ways to improve participation is to help NWT residents get the education and training they need to take full advantage of job opportunities.

The area where dependence on imported labour is the greatest is in mining, oil and gas sectors. We have a severe shortage of qualified people, and Northerners have very little control or influence over this sector.

In the future, the GNWT will try, through Devolution, to exert much more influence over the non-renewable resource sector. This will enable us to maximize opportunities for our own people.



NWT employers are heavily dependent on imported labour.

Other complementary initiatives include:

- Development of hydrocarbon and mineral plans which will coordinate and focus department, industry and community activities in order to maximize Northern benefits;
- The development of a Northern Benefits Policy to maximize associated benefits; and
- Promoting the use of existing community infrastructure and ensuring workers are stationed in the North .

5. IMPROVEMENTS IN PUBLIC AND INDUSTRY INFRASTRUCTURE

Transportation infrastructure is the key to bringing NWT residents together and to enable NWT business to bring in materials and supplies and to ship out Northern produced products and services. Improved transportation facilities will reduce costs to consumers, could open up new commercial fishing opportunities, provide improved access for tourists, and generally support NWT industrial development.

The Department of Transportation is developing a 20 year strategy to guide the development of the transportation infrastructure in the NWT. The NWT Transportation Strategy will consider the interdependence of transportation and economic development especially in the economically disadvantaged communities. The Strategy will also build on existing transportation infrastructure.

Transportation infrastructure is the key to bringing NWT residents together.

The development of the Northern transportation infrastructure is the key to development of our vast Territory. The federal government must continue to play a major role.

In respect to industry development, the NWT Development Corporation will be an important tool for assisting industry in developing the required public sector infrastructure needed to maximize the commercial potential of NWT resources and opportunities.

6. INCOME SECURITY REFORM

In small communities few employment or training opportunities exist close to home. Often the need exists to supplement the income of low wage earners and the unemployed. Unfortunately, once on the welfare treadmill, it is often difficult to get off. Social assistance payments have grown by 115% from 1984 to 1988. The GNWT is acutely aware of the need to stop this cycle.

We are committed to reducing the dependency on income assistance, while not jeopardizing the basic needs of people with low incomes or no work.

To accomplish this the Department of Social Services is undertaking a process of income security reform. The process relies on government wide coordination. Realistic income reform must go hand in hand with employment, education, training and economic planning. The process of income reform aims to better integrate housing, child care, family and social programs. It also recognizes the proposed Wildlife Harvesting Support Program as an important component of income reform.

7. SOUND FISCAL MANAGEMENT

Resources for government support of economic development initiatives can only come from taxation, from borrowing, or from reallocation of budgetary resources. The cost of government activities in support of economic development will continue to be analyzed by Cabinet in relation to all government responsibilities and the competing demands for resources.

Sound fiscal policy will continue to reflect the commitment of the GNWT to establish overall taxation levels which will maintain strong incentives to work and do business in the Northwest Territories. This is achieved through maintaining tax burdens which are at least competitive with other regions of Canada. It will also reflect the limited ability of the GNWT to raise its own revenues through taxation. Primary factors in how the government's fiscal policy can promote economic development will include the competitiveness of NWT tax rates with other jurisdictions, the stability of the tax system, while recognizing the higher cost of living in the North.

The GNWT will also continue to approach the option of deficit financing with great care. For 1989-90, GNWT own-source revenues represented only 15% of total revenues. The remaining 85% is made up of the grant from Canada and other transfer payments. Given the current constraints being applied by the federal government to the growth in transfer payments to the provinces and territories and given our own small and volatile tax base, the capacity to service our debt is limited. High deficits and the accompanying debt servicing charges would rapidly limit the GNWT's ability to meet its responsibility to provide basic services to its residents.

Government support of economic initiatives

in small communities will provide an important bridge to the development of sustainable initiatives.

In the medium term, replacement of the existing Federal-Territorial Economic Development Agreement, with a revised Agreement will play an important role in expanding the base for economic development.

In the longer term, the increased economic activity and related employment in the North will improve the government's fiscal capacity from both the non-renewable sector and from economic diversification.

8. CONTROL OVER RESOURCES

The authority vested in NWT legislators to plan and manage the economy will be limited as long as control over land and resources remains with the federal government.

At present, the federal government retains control over NWT land and its resources. Both governments are committed to transferring control to the Government of the Northwest Territories. With the Northern Accord, we are taking a major step. The transfer of mining will follow. The transfer of complete control over land and environment management must await the final settlement of land claims.

APPENDIX: IMPLEMENTATION

Implementing this strategy requires a coordinated effort involving a number of government departments.

Some short term initiatives can begin immediately or within the next few months. The planning is completed or near completion.

Other medium term initiatives will take more time - one to five years. They require negotiations with the federal government or major shifts in present policy.

Here is a breakdown of the various initiatives and the departments or agencies responsible for them.

In the Short Term

The Department of Economic Development and Tourism will implement a strategy called "Building on Strengths, A Community based approach".

Arctic College's strategic plan for the period 1990-95 is completed and will provide the basis for future programming.

The Department of Education's, Employment Development Strategy is complete.

The Department of Public Works is taking the lead in developing Local and Northern Involvement in Construction, Maintenance and Leasing Strategy. This strategy will guide the Departments of Public Works, Transportation and Government Services in ensuring maximum impact on the economy of government Expenditures. The NWT Housing Corporation is developing a similar initiative involving local housing organizations.

The Department of Finance will have completed negotiations on a new formula for funding prior to developing the 1991-92 budget.

In the Medium Term (1-5 Years)

The Department of Transportation's Transportation Strategy will be completed by the spring of 1990. Implementation will occur over 20 years as resources are made available.

The Department of Energy Mines and Petroleum Resources, with the advice of aboriginal people, will negotiate with the federal government to develop and implement the Northern Accord. Completion is anticipated within the next 5 years. Within the same time frame the Department will undertake the transfer of responsibility for minerals from the Federal Government.

An Income Security Reform strategy is being developed by the Department of Social Services.

CONCLUSION

Our economy is in a state of transition. Building bridges between the more affluent communities and the poorer communities will not be easy.

In this document we have done two things. We have provided a snapshot of our economy, with all its strengths and weaknesses. And, we have outlined the framework for an economic strategy that will build upon those strengths to overcome the weaknesses.

We have no illusions about how difficult the task is.

Our economy is in a state of transition. Building bridges between the more affluent communities and the poorer communities will not be easy.

Success will depend upon the cooperation of all departments within government. It will also require a close working relationship between governments and business, labour, native organizations, local and regional organizations, and ordinary citizens.

But, with cooperation and commitment, we can succeed in creating the kind of economic future we want for ourselves and our children.